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SAPC-4165

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29 February 1956

MEMORANDUM FOR THE RECORD

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SUBJECT : Trip Report of [] to Eastman Kodak Company,
Camera Works, Rochester, New York

PURPOSE : To Complete Negotiations Leading to Definitizing Letter
Contracts Numbers EQ-1806, EN-95, PO-660 and EP-1054.

1. The undersigned visited the plant of Eastman Kodak Company on 23 February 1956 to further and/or complete negotiations leading to the preparation of definitive contracts to supersede the above outstanding letter contracts. The specific matter discussed, persons contacted and conclusions reached are as follows:

a. Payment Plan for Contracts: A plan whereby the Agency would pay the Contractor's invoices by Government checks made payable to a designed individual of Eastman Kodak Company who in turn would deposit such checks in his own name to the account of Eastman Kodak Company was proposed. The operations and security aspects of the proposed plan were discussed with Messrs [] The contractor indicated willingness to adopt the plan, however, they pointed out that listings of receipts from the bank and credit to their accounts in the name of a company employee or by any non-routine method, would arouse suspicion among their personnel. The contractor felt, that in view of the many large Government checks received daily, that another Government check, indicating its purpose by account number, would afford better security at their end. This matter was left open pending further discussion with the Project Security Officer.

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NOTE: The contractor's comments regarding the proposed payment plan were discussed with [] 24 February 1956. Ted pointed out that since we have certain other associated contractors covered by the plan, internal knowledge that AQUATONE funds are being paid to Eastman Kodak Company would not disclose the nature of the overall project to unwitting personnel. Accordingly, he approved the use of Government checks payable directly to Eastman Kodak Company for this purpose.

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AUTH: EP-1054
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b. Continued Negotiations of Contract No. EQ-1806. Complete agreement was reached as to format of the definitive contract with Messrs.

[] This contract will contain a Form IV Price Redetermination clause setting forth separate ceiling prices for Schedule I and II. In view of the large increases in prices of Schedule I items over the prices stated in Amendment Number 3 to Letter Contract, further consideration must be given these items prior to writing the definitive contract. The contractor contends that the increases are necessary to obtain equipment of the highest quality required for the project work. The revised prices and those set forth in Amendment No. 3 are listed below for comparison:

SCHEDULE I: STANDARD AND SPECIALIZED PROCESSING PLANT ITEMS:

<u>Item No.</u>	<u>Description</u>	<u>Quantity</u>	<u>Amendment 3</u> <u>Price</u>	<u>Revised</u> <u>Price</u>	
1	70 MM Continuous Film Processor	4			STAT
2	70 MM Continuous Film Printer	4			
3	20" Continuous Paper Processor	1			
4	9 $\frac{1}{2}$ " Step and Repeat Printer	1			
5	9 $\frac{1}{2}$ " Continuous Film Processor	2			
6	9 $\frac{1}{2}$ " Continuous Paper Processor	1			
7	9 $\frac{1}{2}$ " Continuous Contact Printer	1			
8	Infra-red Converter	4			
9	Special 70 MM Printer	1			
10	General Plant Equipment	-			
11	Equipment Installation	-			
	Engineering and Design of a cut Sheet 9 $\frac{1}{2}$ " S&R Printer initially priced at \$10,000 but cancelled at 2,482 cost.				
MINICARD ITEMS					
12	Minicard Camera - P-1	1			
13	Camera, Graphic Index and Document	1			
14	Processor	1			
15	Cutter	1			
16	Duplicator (sophisticated)	1			
17	Filing Sorter	1			
18	Enlarger, Air Photo	1			
19	Viewer	5			
20	Flexowriters	5			
21	Miscellaneous Minicard Equipment	-			
22	Systems Engineerings	-			
	Paper Processor				
	Inspection Viewer				

Estimated Price - Amendment Number 3
Revised Estimated Price

Total Increased Price

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Upon agreement as to price of Schedule I item this contract will be written for review and acceptance by the contractor.

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c. Final Negotiations of Contract EN-95 - Complete agreement was reached as to format of the definitive contract with The contract is to provide that allowable costs shall be: costs recognized under ASPR XV, Section 2; Direct Labor on average rates and Overhead on burden center rates negotiated by Navy. Withholding under the contract shall be the prescribed 15% of fixed fee after payment of 85% of the fee. This contract will be drafted and forwarded to the contractor for review and approval.

d. Continued Negotiations of Contract PO-660. Eastman Kodak Company agreed that the use of a Time and Material type of contract is most suitable for operation of the processing plant. Eastman Kodak Company concurred that material should be billed at their invoiced cost; however, they felt that since their proposal was based on a CPFF contract which included a fee on material costs, that they should be allowed a greater profit (percentage wise) if based solely on labor. The contractor will submit a revised proposal for this work through 30 June 1956. The proposal will specify a ceiling amount.

e. Continued Negotiations of Contract No. EP-1054. Eastman Kodak Company will prepare and submit a proposal for supplying film as to types, footage, etc., in the near future. The contractor contended that it cannot accept a price redetermination type contract on supply type items and that the definitive contract must therefore be a firm unit price agreement. agreed that their proposal would be adequately documented to justify prices to be quoted.

2. Other relevant information was developed as follows:

a. Name of Navy Cost Inspector:

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b. Overhead applied to fixed-price agreements subject to price redetermination will be actual and not negotiated rates. The negotiated rates apply only to CPFF work.

c. Cost invoiced under EQ-1806 as of January 26, 1956, on Request No. 1 apply to work at a rate of 10-15% of total.

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